



California

Dairy Review

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USDA Annual Planting Report

Corn Prices Surpass \$6/Bushel

For the first time, corn prices surpassed \$6 a bushel as supply concerns rallied the buying of the grain used to feed livestock and make biofuel.

Corn's record-setting rally comes amid soaring global demand for the grain but also an expected drop in production from the United States. USDA's Annual Planting Report projected farmers will plant 86 million acres of corn - an 8 percent drop from last year. The bigger-than-expected drop may add to already tight supplies, leading to higher meat prices and soaring costs for producers of alternative fuel like ethanol.

"If you look at the fundamentals, everything points to a bullish outlook for corn," said Elaine Kub, a grains analyst with DTN in Omaha, Nebraska. Corn has surged nearly 30 percent this year and could go even higher if cold, wet weather in the U.S. corn belt forces farmers to delay spring planting. Other agriculture futures also traded higher - May soybeans added 14 cents to settle at \$12.57 a bushel, while May wheat inched 0.5 cent higher to settle at \$9.37 a bushel.

DTN Dairy is a source of comprehensive dairy-specific market, weather and news information. This site provides market analysis and commentary on dairy related information 24 hours a day. The link to this information is provided on the Dairy Marketing Branch website at www.cdfa.ca.gov/dairy - go to the left side of the home page, under Resources and click on the DTN link.



In This Issue . . .

- | | |
|---|---|
| 1 Corn Prices Surpass \$6/Bushel | 4 National Dairy Situation & Outlook |
| 2 Production, Prices, Quota Transfers, Alfalfa | 5 Saputo Cheese Inc. Expands in U.S. |
| 3 Bovine TB Update | 5 Public Hearing on Pooling Plan |
| 4 Milk Pooling Administration Fee | 8 Pool and Mailbox Price |
| 4 Milk Feed Ratio | |



California Department of Food and Agriculture
A.G. Kawamura, Secretary

Production, Prices, Quota Transfers, Alfalfa

March Milk Production

Milk production in California for March 2008 totaled 3.64 billion pounds, up 2.4 percent from March 2007. USDA's estimate for U.S. milk production for March 2008 in the 23 major dairy states is 15.1 billion pounds, up 2.4 percent from March 2007. Production per cow in the 23 major states averaged 1,795 pounds for March, 12 pounds above March 2007. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	Mar.	Apr.	May
1	\$19.03	\$20.06	\$18.92
2	\$18.58	\$15.12	\$15.12
3	\$18.42	\$14.96	\$14.96
4a	\$14.36	N/A	N/A
4b	\$16.94	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Mar.	Apr.	May
Phoenix, Arizona	\$19.05	N/A	N/A
Southern California	\$19.17	\$20.19	\$19.05
Portland, Oregon	\$18.60	N/A	N/A
Northern California	\$18.90	\$19.92	\$18.78
Boston (Northeast)	\$19.95	N/A	N/A

Quota Transfer Summary

For March 2008, four dairy producers transferred 8,519 pounds of SNF quota. March quota sales averaged \$513 per pound of SNF (without cows), average ratio of 2.47. For April 2008, three dairy producers transferred 4,659 pounds of SNF quota. April quota sales averaged \$528 per pound of SNF (without cows), average ratio of 2.35.

Alfalfa Update: April

Northern California: Premium and Supreme alfalfa were steady with light test, good demand and heavy supplies. Fair and Good alfalfa was steady in a light test with good demand and light supplies. Retail and Stable hay was steady with good demand and supplies light. Most areas have solid first cutting. There are concerns about how dry the northern areas are and the availability of water.

Southern California: Supreme and Premium alfalfa was steady in a limited test with good demand but light supplies. Fair and good alfalfa was steady with moderate supplies and demand. Retail and stable hay was steady with good demand and light supplies. Producers are showing reluctance at buying at current price levels. Producers are talking about letting alfalfa going to seed for seed production which would limit supplies. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	4/4	4/11	4/18	4/25
Petaluma	N/A	\$245-255	\$245-255	\$245-265
North Valley ¹	\$245-268	\$240-268	\$257-267	\$240-268
South Valley ²	\$255-275	\$250-280	\$262-270	\$255-280
Chino Valley	\$250-255	N/A	N/A	\$245-260

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

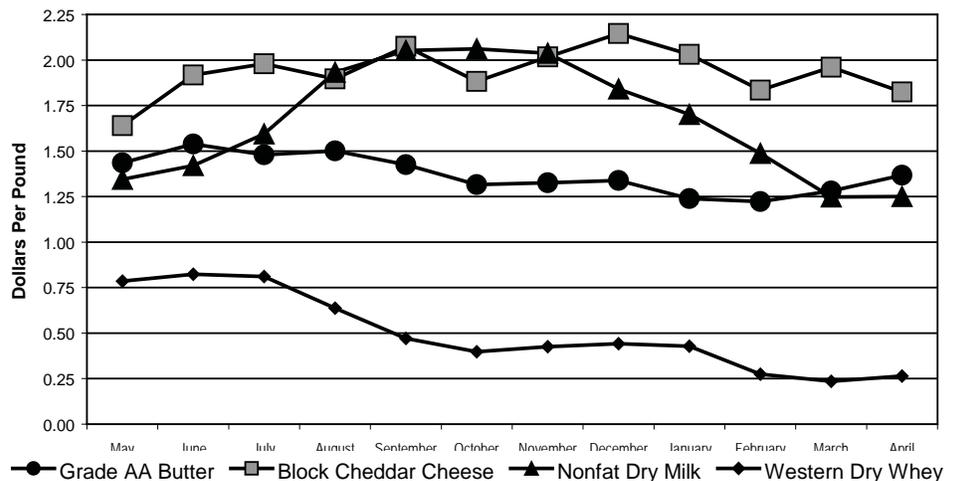
	March	April
Tons Sold ¹	88,783	182,641
Tons Delivered ²	32,185	118,910

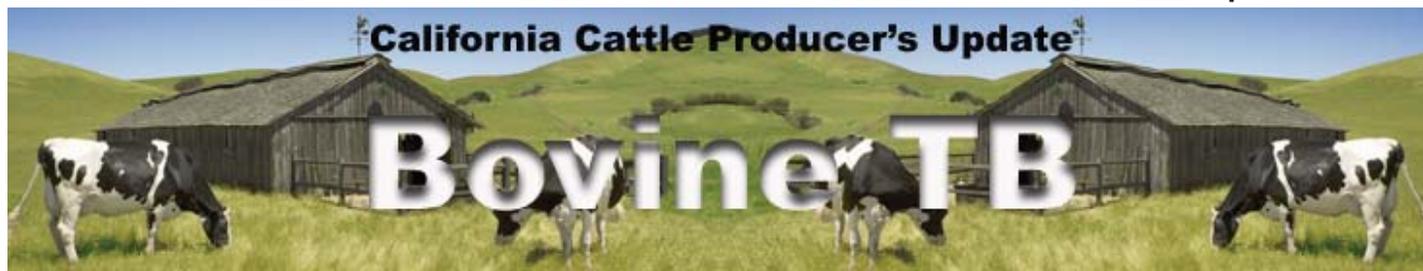
¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, Nonfat Dry Milk, and Western Dry Whey Mostly Prices Used in the Calculation of California Class 1 Milk Prices





Bovine Tuberculosis (TB) in California

CDFA and USDA personnel continue investigating herds that received cattle from or sold cattle to a Fresno County dairy herd detected with bovine TB (*Mycobacterium bovis*) in January 2008. The herd was detected when a lymph node with tuberculosis lesions was collected from a cow during routine slaughter surveillance in December 2007.

At least 63 California dairies, 3 out-of-state dairies, 18 dealers, 1 calf raiser, 1 out-of-state heifer raiser, and 11 slaughter traces received cattle from the affected herd since 2003. Approximately 36 dairies have been identified as sources of cattle entering the affected herd. Testing herds that received cattle and herds that contributed cattle to the affected herd is ongoing.

TB Testing & Cattle Culled To Date		
	# Herds	# Cattle
Affected Herds	1	~5,000
Tested Herds	71	77,723
Depopulated Cattle	---	678

California can maintain its Free status if the affected herd is depopulated, no additional affected herds are detected within the next 48 months, and the tracing of cows and testing of herds linked to the affected herd is completed within approximately seven months. California regained its TB Free Status on April 15, 2005, two years after losing it due to the detection of three bovine TB-affected central valley dairies.

California Surveillance*

Surveillance relies on private veterinarian testing and on slaughter surveillance. Last year, nearly 773,000 adult cattle slaughtered in California were inspected for TB; 2,000 suspicious samples were submitted for evaluation and all but three were negative for TB. Two of the three infected cattle were Mexican-origin feedlot steers. The third positive sample was from a cow sold by an infected New Mexico dairy. Two additional feedlot steers (killed in other states) traced from California to Mexico in 2007.

In 2007, private veterinarians did over 84,000 tuberculin caudal fold skin tests in California, and had 348 responders (0.41% response rate).

To prevent the spread of bovine TB, cattle producers must prevent contact between their breeding cattle and Mexican-origin cattle. In addition, dairy cattle imported from other states into California require a negative TB test before movement.

National TB Report*

On April 2, 2008, the U.S. Department of Agriculture made \$16.8 million in emergency funds available to continue bovine TB eradication efforts in California, Michigan and Minnesota. This money will be used to depopulate known affected herds, to prevent disease spread and to provide indemnity to producers. The funding also will be used for enhanced surveillance to identify affected herds and to determine the source of infection. Between 2000 and 2008, 71 newly affected herds were detected in the U.S.; 28 were detected between 2005 and now.

Arizona: One affected herd detected in 2005 was depopulated.

Colorado: One affected herd was detected in 2007 after an infected rodeo bull was found during routine slaughter surveillance in Texas. This herd was depopulated.

Michigan: Since 1998, 44 cattle herds and 2 cervid herds have been detected. Since 1995, 593 infected whitetail deer have been detected from over 161,897 examined. Infection has also been found in elk, coyotes, raccoons, black bears, bobcats, red foxes, and opossums. Michigan has three TB zones: Free, Modified Accredited Advanced (MAA) and Modified Accredited (MA).

Minnesota: Eleven affected beef herds have been detected: 3 in 2005, 2 in 2006, 2 in 2007, and 4 in 2008. Minnesota's status was downgraded to MA when four affected herds were found in a 12-month period. All affected herds have been depopulated. Seventeen cases of bovine TB have been confirmed in whitetail deer. Minnesota is planning to request split-state status.

New Mexico: One large affected dairy (two herds) was detected and depopulated in 2007. One affected dairy herd detected in 2003 remains under a test-and-removal plan, another was depopulated. New Mexico has split-state status (Free and MAA).

Oklahoma: One beef herd detected by slaughter surveillance was depopulated in 2007.

Texas: The last known infected herd was depopulated in September 2004 and Texas was declared TB free in September 2006.

CDFA Animal Health Branch Offices	
Sacramento (HQ)	916-654-1447
Modesto	209-491-9350
Ontario	909-947-4462
Redding	530-225-2140
Tulare	559-685-3500
USDA/APHIS/VS	916-854-3900 or 877-741-3690
http://www.cdfa.ca.gov or http://www.aphis.usda.gov	

* All references to years refer to the Federal TB Fiscal Year: October 1 – September 30. We are now in FY08, which goes from 10/1/07 to 9/30/08.

Milk Pooling Administration Fee

At a meeting on October 5, 2007 the Producer Review Board received an update on the Branch's current fiscal year budget and unanimously voted to recommend that the Department temporarily suspend the Pool Administrative Fee in order to reduce the Branch's operating reserve.

On November 29, 2007, the Department announced the Milk Pooling Administrative Fee will be temporarily suspended effective January 1, 2008 through March 31, 2008. Please note: Beginning April 1, 2008 the Pool Administrative fee was reinstated to 1.1 cents (\$0.011) per hundredweight.

Should you have any questions regarding the fee adjustment, please contact Don Shippelhoue or John Lee at (916) 341-5901. ☀

Milk-Feed Ratio Decline Continues

USDA announced that the milk-feed ratio for March was 2.05. That is a 0.19-point loss from the February revised ratio of 2.24. The ratio's descent is the result of further gains in the prices of corn, soybeans and alfalfa hay, coupled with falling milk prices.

USDA used an all-milk price of \$18.30 to calculate the March ratio. That is 80 cents less than the February all-milk price. However, it is still \$2.70 higher than a year ago.

The corn price used to calculate the ratio increased 30 cents to \$4.83 per bushel. That is \$1.40 higher than the March 2007 price of \$3.43. The price of soybeans increased 20 cents to \$11.90 per bushel. That is \$4.95 more than a year ago when soybeans were \$6.95.

Baled alfalfa hay increased \$5 in price to \$143 per ton. That compares to a price of \$121 last year.

The milk-feed ratio represents the pounds of 16-percent mixed dairy feed equal in value to 1 pound of whole milk. The price of commercial prepared dairy feed is based on current U.S. prices received for corn, soybeans and alfalfa. The model used to determine the ratio uses 51 percent corn, 8 percent soybeans and 41 percent alfalfa.

Whenever the ratio meets or exceeds 3.0, it is considered profitable to buy feed and produce milk. ☀

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2007, USDA estimates that overall milk production across the U.S. was up 2.0% in March, led by Colorado's 11.4% growth in milk production (on 10,000 more cows and 35 more pounds per cow). USDA reports that California's milk production was up 2.4% on 45,000 more cows and 5 less pounds per cow compared to March 2007. Among the western states, Arizona was up 3.6%; New Mexico up 8.3%; and Washington was up 3.8%. Two of the top 10 states reported a production decrease.

Quarterly: For the first quarter of 2008 compared to the fourth quarter of 2007, U.S. milk cow numbers increased to 9.250 million, production per cow increased 150 pounds per cow; the net effect was increased milk production to 47.6 billion pounds. USDA projects that for the second quarter of 2008 compared to the first quarter of 2008, U.S. milk cow numbers will increase to 9.275 million cows, production per cow will be up 110 pounds per cow; the net effect would be increased milk production to 48.5 billion pounds.

Milk Prices

Comparing the first quarter of 2008 to the fourth quarter of 2007, U.S. average milk prices were down to \$19.30/cwt. USDA projects that for the second quarter of 2008, U.S. average all-milk prices will be \$17.25-17.65/cwt.; Class 4b prices will be \$15.42-15.82/cwt; and Class 4a prices will be \$14.57-15.07/cwt.

Utility Cow Prices

Comparing the first quarter of 2008 to the fourth quarter of 2007, average U.S. utility cow prices were up \$4.60/cwt. to a national average of \$54.07/cwt. USDA projects that utility cow prices will average \$53-55 in the second quarter of 2008.

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook." ☀

Public Hearing on the Pooling Plan for Market Milk

The Secretary of Food and Agriculture is calling a public hearing on his own motion to consider technical amendments to the Pooling Plan for Market Milk, as Amended (Pool Plan) for the Dairy Accounting System (DAS). The hearing will be held on Tuesday, July 1, 2008, at the California Department of Food and Agriculture's main auditorium located at 1220 N Street in Sacramento. The hearing will begin at 9:30 a.m.

The Department's Milk Pooling Branch is proposing the following amendments:

1. An amendment to insert a definition for the new Dairy Accounting System that will replace the program used by the Department to administer the Pooling Plan. Reference new Section 134 of the Pool Plan attached to this Notice.
2. Amendments to provide for use of actual solids-not-fat (SNF) in pool reporting and pool calculations rather than relying on an Average SNF Test to convert skim milk volumes to SNF content. Reference new Section 802.5 of the Pool Plan attached to this notice.
3. An amendment to provide that the Department make use of the most current available version of PC Miler® distance measuring program released by ALK Technologies instead of the Public Utilities Commission Mileage Tables for calculation of the distance between dairy facilities within the state. Reference new Sections 921.5, 922.5 and 923.5 of the Pool Plan attached to this Notice.

Hearing documents can be obtained by contacting the Milk Pooling Branch at (916) 341-5901 or the Dairy Marketing Branch at (916) 341-5988 and by accessing the Department's website at www.cdffa.ca.gov/dairy. From the dairy home page, click on Announcements, Hearings and Statutes then Dairy Hearing Matrix and then technical Amendments Pool Plan-DAS.

Alternative Proposals – All interested parties are entitled to submit proposals detailing alternatives within the call of the hearing. These proposals must be signed by a responsible party and received by the Department's Milk Pooling Branch no later than 4:00 pm on Tuesday, June 3, 2008. The Milk Pooling Branch's office location is at 560 J Street, Suite 150, Sacramento. Alternative proposals may also be sent electronically via email to dairy@cdffa.ca.gov, faxed to (916) 341-5995, or mailed to Hearing Officer, c/o CDFA Milk Pooling Branch, 1220 N Street, Sacramento CA 95814.

Public Workshop – The Department will conduct a public workshop on Tuesday, June 17, 2008 at the California Department of Food and Agriculture's main auditorium located at 1220 N Street in Sacramento beginning at 10:00 a.m. The purpose of the Workshop is so that interested persons can review and discuss the proposed new Section 134, and proposed new Subsections 802.5, 921.5, 922.5 and 923.5 of the Pooling Plan with Department staff. In preparation for the Workshop, the Department is distributing a comparison table of distances between sample points in Northern and Southern California calculated using the current PUC Tables and the PC Miler® program.

Interested parties may also obtain copies of the comparative data on the Department's website at www.cdffa.ca.gov/dairy/dairy_hearings_matrix. If any interested party has questions regarding the call of this hearing he or she may contact Donald Shippelhouse or John Lee in the Milk Pooling Branch at (916) 341-5901. 

Saputo Cheese Inc. Expands

Canadian cheesemaker Saputo Inc. has completed its purchase of Alto Dairy Cooperative for \$160 million in cash. The total consideration was paid on a debt-free basis in cash by drawing on available lines of credit.

Alto produces Italian-style cheeses such as mozzarella and provolone and American-style cheeses, including Cheddar varieties, Monterey Jack, Muenster, Fontina and Gouda. In addition, the firm produces whey products, which are marketed nationwide under a variety of brand names and private labels.

Alto has sales of \$378 million and earnings before interest, income taxes, depreciation and amortization of \$19.6 million and employs 467 people.

The transaction expands the Saputo Cheese Division and represents a major step in its goal to achieve a stronger presence in the United States. 

More Deadlines for California Dairies

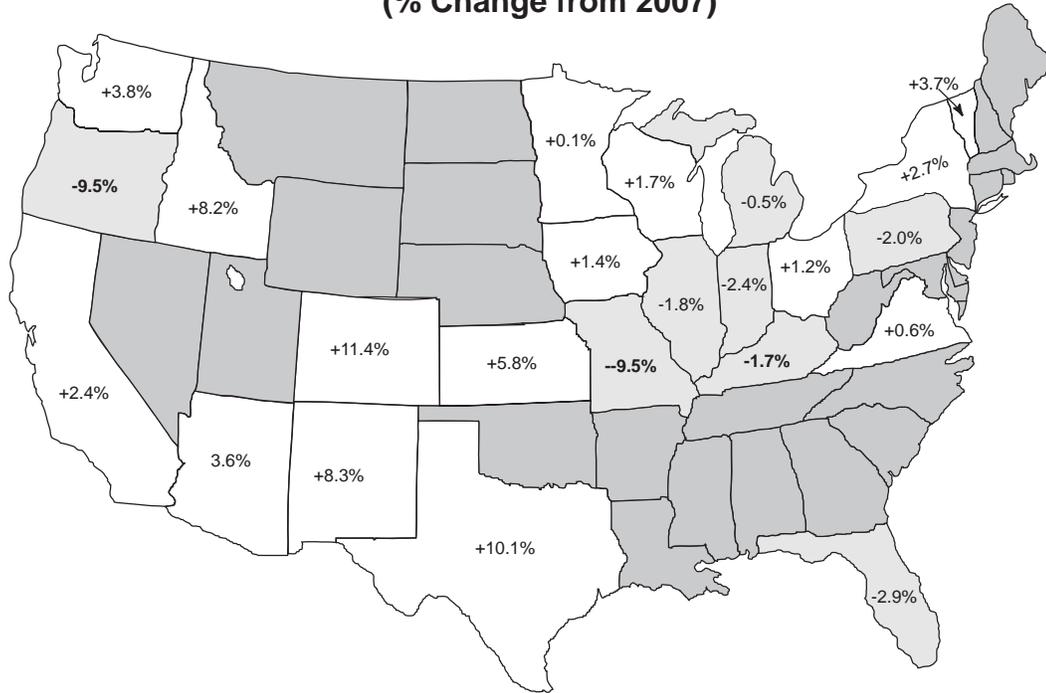
A second round of paperwork is due July 1 for dairy producers in California. New regulations passed last May require dairies to sample lagoon water, solid manure, plant tissues, soil and irrigation water. Under the regulation, dairies must develop a comprehensive nutrient-management plan and waste-management plan. See Schedule below.

Waste Discharge Requirements General Order No. R5-2007-0035
Existing Milk Cow Dairies

Table 1. Schedule for Submittal of Existing Conditions Report, Waste Management Plan, Nutrient Management Plan, Salinity Report, Preliminary Infrastructure Needs Checklist, and Annual Reports

Due Date	Submittal Due	Contents of Submittal	Professional Certification Requirements
31 December 2007	Existing Conditions Report (Attachment A)	Preliminary Dairy Facility Assessment, maps, etc.	None
1 July 2008	Annual Report	Per Monitoring and Reporting Program No.R5-2007-0035, including Annual Dairy Facility Assessment with proposed interim facility modifications considered to be implemented.	None
1 July 2008	Statement of Completion of the Following Items in Attachment C (Nutrient Management Plan):*		
	Items I.A.1, I.B, I.C, I.D	Land Application Area Information.	None
	Item II	Sampling and Analysis Plan.	Certified Nutrient Management Specialist
	Item IV	Setbacks, Buffers, and Other Alternatives to Protect Surface Water.	None
1 July 2008	Item VI	Record-Keeping Requirements.	None
	The following items in Attachment B (Waste Management Plan):		
	Items I.A, I.B, I.C, I.D, I.E, I.F.1a, I.F.2a, I.F.3, I.F.4, I.F.5	Facility Description.	None
1 July 2008	Item V	Operation and Maintenance Plan.	None
	Identification of Backflow Problems	Identify backflow problems with proposed remediation and schedule.	Trained Professional**
	Proposed Interim Facility Modifications as Necessary to Improve Storage Capacity	Proposed interim facility modifications (e.g., recycling flush water, diverting roof runoff, resizing nozzles, removing pond solids, etc.) that can be completed within the next 12 months to decrease storage capacity needs or increase existing storage capacity, with schedule to implement proposed modifications within 12 months.	None
31 December 2008	Proposed Interim Facility Modifications as Necessary to Balance Nitrogen	Proposed interim facility modifications (e.g., acquiring more cropland, exporting more wastes, reducing herd size, etc.) that can be completed within 12 months to balance the nitrogen generated and imported with the nitrogen removed by crops and exported, with schedule to implement proposed modifications within 12 months.	None
	Statement of Completion of Item V of Attachment C (Nutrient Management Plan)*	Field Risk Assessment – Evaluate the effectiveness of management practices to control waste discharges from land application areas.	None
	Preliminary Infrastructure Needs Checklist	Identification of infrastructure changes needed to properly manage wastes (e.g., piping, pumps, meters, etc.).	None

March Milk Production in the Top 23 States (% Change from 2007)



For the U.S. overall, comparing March 2008 to March 2007:

- U.S. Milk production during March was up 2.0%
- The number of cows on farms was 9.259 million head, up 112,000 head
- Production per cow averaged 1,778 pounds, 13 pounds more than March 2007
- Eight of the top twenty-three milk producing states showed a decrease in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California ^{1/} By Quarter, 2006-2007

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
	<i>Dollars per Hundredweight</i>									
1st Quarter										
Total Costs	15.35	17.52	12.32	13.33	11.72	13.16	11.76	13.17	12.01	13.31
Total Costs & Allowances*	16.93	19.27	13.82	14.86	13.24	14.76	13.07	14.55	13.52	14.87
2nd Quarter										
Total Costs	14.22	16.23	12.36	13.41	12.47	13.51	11.99	13.00	12.43	13.49
Total Costs & Allowances*	15.76	18.15	13.88	15.13	14.00	15.29	13.31	14.53	13.94	15.25
3rd Quarter										
Total Costs	14.62	17.12	12.58	13.62	12.73	14.20	12.56	13.76	12.71	14.01
Total Costs & Allowances*	16.14	19.24	14.10	15.51	14.33	16.24	13.90	15.52	14.26	15.98
4th Quarter										
Total Costs	16.99	19.01	13.47	14.93	13.25	15.04	13.23	14.46	13.41	15.03
Total Costs & Allowances*	18.62	21.21	15.01	16.84	14.84	17.05	14.59	16.23	14.97	16.99

* Includes an allowance for management and a return on investment

Pool Prices

Month	Quota	Overbase
September	\$12.80	\$11.10
October	\$12.87	\$11.17
November	\$13.31	\$11.61
December	\$13.50	\$11.80
January '07	\$13.70	\$12.00
February	\$14.45	\$12.75
March	\$15.28	\$13.58
April	\$16.33	\$14.63
May	\$18.29	\$16.59
June	\$20.70	\$19.00
July	\$21.60	\$19.90
August	\$21.74	\$20.04
September	\$21.69	\$19.99
October	\$21.16	\$19.46
November	\$21.93	\$20.23
December	\$20.79	\$19.09
January '08	\$19.14	\$17.44
February	\$18.42	\$16.72
March	\$17.71	\$16.01

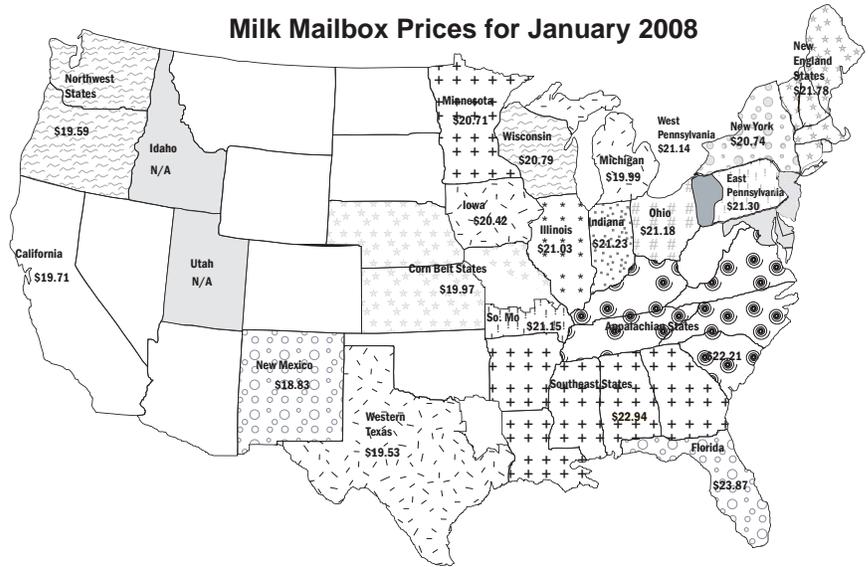
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	July	August	September	October	November	December	January
California ¹	\$19.98	\$20.06	\$20.19	\$19.94	\$20.62	\$19.71	\$17.97
USDA ²	\$21.49	\$21.47	\$21.78	\$21.39	\$21.81	\$21.04	\$20.70

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.



In January 2008, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$20.70 per cwt., down \$0.34 from the previous month. The component tests of producer milk in January 2008 were: butterfat: 3.79%; protein, 3.11%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except in Appalachian and Southeast States, and ranged from \$23.87 in Florida to \$18.83 in New Mexico. In January 2008, the Federal milk order all-area average mailbox price was \$14.66, \$6.04 lower.

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Milk Pricing Information:
Within California 1-800-503-3490
Outside California 1-916-442-MILK

Dairy Marketing Branch:
Phone (916) 341-5988; Fax (916) 341-6697
Website: www.cdfa.ca.gov/dairy
Email: dairy@cdfa.ca.gov

